

- SUBJECT:** Allowing retirees to seek election to the ERS board of trustees
- COMMITTEE:** Pensions — committee substitute recommended
- VOTE:** 7 ayes — Flynn, Alonzo, Hernandez, Klick, Paul, J. Rodriguez, Stephenson
- 0 nays
- WITNESSES:** For — Maura Powers, AFSCME Texas Retirees; Elizabeth Blount, Retired State Employees Association; Garry McVea, Texas State Employees Union; (*Registered, but did not testify:* Cynthia Hayes, AFSCME Council 12; Harrison Hiner, Texas State Employees Union; Deborah Ingersoll, Texas State Troopers Association; Dick Lavine)
- Against — None
- BACKGROUND:** The Employees Retirement System of Texas (ERS) administers benefit programs for active and retired state employees, including the retirement system and health insurance programs. A six-member board of trustees oversees ERS. Three board members are appointed, one each by the governor, House speaker, and Texas Supreme Court chief justice. The other three are elected by ERS active members and retirees. To be eligible for election, a person must be an active member. Both appointed and elected members serve staggered six-year terms, with the terms of appointees expiring on August 31 of each even-numbered year and those of elected members on August 31 of each odd-numbered year.
- DIGEST:** CSHB 3227 would change Government Code, sec. 815.003 to permit one of the three elected members of the ERS board to be either a retiree or an active member. The remaining two elected members would remain as active members and could not be employed by the same agency or department as another elected member.
- The bill would take effect September 1, 2015, and would apply only to an ERS election that occurs on or after that date.

**SUPPORTERS
SAY:**

CSHB 3227 would allow retirees to run for one of three elected seats on the Employees Retirement System of Texas (ERS) governing board and give them an opportunity to have a stronger voice in a system their contributions as employees helped to sustain.

State retirees currently may vote for the three elected positions on the ERS board, but are not eligible to stand for election, even though the board makes important decisions that have a direct impact on retirees. For example, changes to the health care plan can have a major impact on someone who is retired and living on a fixed income. Retirees make up a significant portion of the membership served by ERS and should not be excluded from important policymaking decisions.

The bill would not set aside a seat for a retiree but simply would allow a retiree to compete for one of three member positions. Retirees currently constitute the vast majority of voters in ERS board elections, an indication of their strong interest in the system. There is evidence of support among active members for including a retiree on the board. In fact, all three candidates for a recent board seat said they would support including a retiree on the board.

Retired state employees would bring years of experience and commitment to government to their board service. Concern about a divergence of interests between active and retired members is overblown because both current employees and retirees want to strengthen the pension system and improve health insurance programs. The potential for ERS trustees to prioritize one class of members over another is present in the current system. For example, active employee members could desire to increase their take-home pay by lowering their contribution. Such self-motivated decisions have not occurred with employees who serve on the board and would be even less likely to happen with one retiree member on the board.

Other large pension systems in Texas have retirees on their governing boards. The statewide Texas County and District Retirement System has four retirees on its nine-member appointed board. One of the nine trustees for the Teacher Retirement System of Texas is appointed by the governor

from a list of retired member candidates nominated by retirees.

This bill is a result of input from ERS staff and stakeholders, and there is no reason to wait for the Sunset review before approving this slight change to the ERS board.

**OPPONENTS
SAY:**

The ERS board composition is a carefully crafted balance of elected and appointed trustees that has been working well for more than 40 years. Employee representatives have fairly and effectively represented both active and retired members.

A board member who is retired could prioritize the interests of retirees over the health of the system as a whole in making decisions that could give retirees a cost-of-living increase or an additional paycheck. Changes made to ERS in recent legislative sessions have created different tiers of benefits depending on when an employee was hired. As a result, some newer state employees are unlikely to ever receive the generous benefits now enjoyed by retirees and those soon to be retired. Allowing retirees to join the ERS board could lead to additional inequities as retirees might be presumed to be interested in preserving or increasing their own benefits rather than the long-term health and sustainability of the fund.

The structure of the ERS board likely will be scrutinized when the agency undergoes Sunset review in the 2016-17 cycle. It would be better to wait for that review before changing the board structure.

NOTES:

The Senate companion bill, SB 1146 by Watson, which is similar to CSHB 3227, was referred to the Senate State Affairs Committee on March 17.